Czech Republic

Key facts and issues

The Czech Republic is a centralised unitary country with a population of 10.5 million. It is the 8th least urbanised country in the OECD, as only 24% of its population live in predominantly urban regions. More than 90% of those living in a functional urban area are exposed to high air pollution levels. With 61 municipalities per 100 000 inhabitants (6 258 municipalities), the Czech Republic is the most administratively fragmented country in the OECD.

The GDP per capita of around USD 32 800 is 20% below the OECD average. GDP per capita disparities among small regions (TL3), as measured by the Gini index, are below the OECD average, even though they have risen since 2000. Regional disparities on a wide range of other indicators have all gone down since 2001, including for labour productivity, R&D expenditures, the share of workforce with tertiary education, the gender gap in participation and unemployment rates. The Northwest region is the worst performing on all indicators. On the productivity side, traditionally industrial regions such as Moravia-Silesia are catching up to the country's best performers. Prague remains the largest contributor to GDP growth over the last decade. Most of the other regions are keeping pace with Prague's productivity growth, while the Central Bohemian region is losing ground.

Czech Republic: regional, urban and rural development policies

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	National Development Priorities (2014-2020) Regional Development Strategy (2014-2020) Act #248/2000 Regional Development Support (2000)	Business and innovation support schemes are at the core of current regional policies	Ministry of Regional Development
Urban	Principles of Urban Policy (2010)	Economic development with a focus on sustainability and direct support to SMEs, as well as infrastructure and systems of cities though transport	Ministry of Regional Development
Rural	Regional Development Strategy (2013) Strategy for Growth – Czech Agriculture and Food Industry in condition of Common Agricultural Policy (2012)	Agriculture with a focus on sustainability and resilience	Ministry of Agriculture

General policy approach

The Czech Republic's National Development Priorities guides the use of European Cohesion Policy for the 2014-2020 period, the main financing source for the country's regional development policy. Many of the instruments are focused on transport and business development but also environmental sustainability. The Principles of Urban Policy consider urban issues as an element of a more holistic regional development policy. Rural development, in addition to the efforts of regional policy, includes a focus on the competitiveness of agricultural businesses and the food industry, in addition to other programmes for rural regeneration and development.

Recent policy changes

- There is an increasing focus on improving the capacity at subnational level, as well as on improving the use of information technologies for monitoring and evaluation processes of regional policy, including the addition of new monitoring indicators in 2016.

- The new EU 2014-2020 programming period will use the following instruments to better target resources from Structural Funds: individual projects, via calls aimed at specific regions, and integrated instruments, including Integrated Territorial Investments (ITI), Integrated Plans for Territorial Development (IPTD) and Community-Led Local Development (CLLD).

- Community-Led Local Development (CLLD) is implemented to support the local needs of rural areas and the development of co-operation among stakeholders at the local level through Local Action Groups (LAGs).

- New in the programming period, LAGs will be able to receive funding from several operational programmes to support their strategies and their number will increase along with the level of financial support.

- In the longer term, there is a desire to refine the definition of rural areas to better serve their development needs.

**Czech Republic: Main regional, urban and rural development policy tools**

Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	*Regional*: Transport Sector Strategies *Urban*: Municipal plans for infrastructure and plans for public transport services (state, regions), various budgeting sources (state, regional, municipal)
Other Infrastructure investments	✓	*Urban*: Regional: Operational Programme Enterprise and Innovations for Competitiveness 2014 – 2020: broadband investments to revitalise neighbourhoods
Service delivery (subsidies for public services)	✓	*Regional*: Plans for public transport services: state, regions (*kraje*); financed by state budget and regional budgets (*kraje*) and municipal budgets *Rural*: the Ministry for Regional Development is supporting service delivery in rural regions through structural funds
Business development/ innovation support	✓	Záruka, Inostart, Revit: mainly through loan guarantees for SMEs and start-ups Trio for applied research and experimental development. Also Regional: Operational Programme Enterprise and Innovations for Competitiveness 2014 – 2020
Urban renewal		
Urban form and land use	✓	Specific objective 3.3 of the Integrated Regional Operational Programme Spatial Development Policy of the Czech Republic, Updated Version 1 Architecture and Building Culture Policy of the Czech Republic
Sustainability policies	✓	Efekt – energy savings such as public lighting restoration and energy management
Rural-urban linkages	✓	Through integrated instruments – ITI and IPTD
Clusters/technology platforms/ centres of expertise	✓	Regional: Operational Programme Enterprise and Innovations for Competitiveness 2014 – 2020 - Improving the intensity and efficiency of co-operation in research, development and innovation
Special economic zones		
Rural landscape preservation		
Skills/training programmes		*Regional*: 4 programmes: Strategy of employment policy 2020, Activation measures to deal with adverse situations the labour market, Implementation Plan for the Czech Youth Guarantee Programme and Annex to the Implementation Plan for the Czech Youth Guarantee programme
Capacity building for sub-national governments	✓	*Rural*: Rural development programme

Land, population and economy in rural and urban regions

Share of country total

Legend:
- Predominantly rural
- Intermediate
- Predominantly urban

	Surface area, 2014	Population, 2014	GDP, 2014
Predominantly rural	48%	33%	28%
Intermediate	37%	43%	37%
Predominantly urban	15%	24%	36%
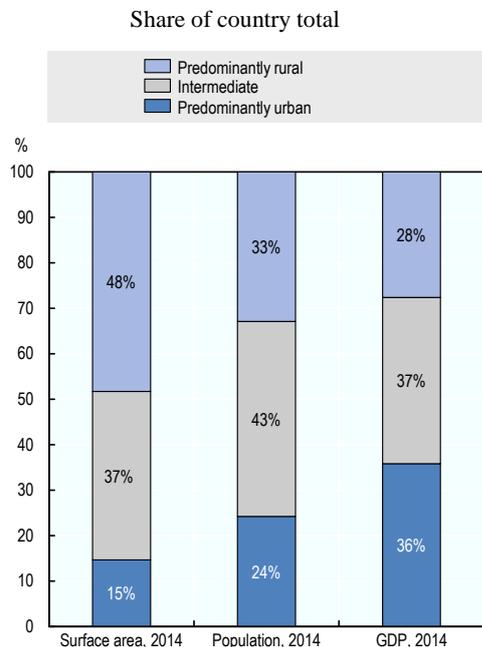
Subnational government role in public finance

Share of general government

Legend: Czech Republic, 2014 — OECD, 2014 — ◆ 1995

	Czech Republic, 2014	OECD, 2014	1995
Expenditure	27.4	40.2	40.5
Staff expenditure	49.3	63.2	41
Public Procurement	40.5	49.8	35
Investment	59.0	58.8	49
Tax revenue	26.2	31.6	20
Debt	7.4	19.8	12
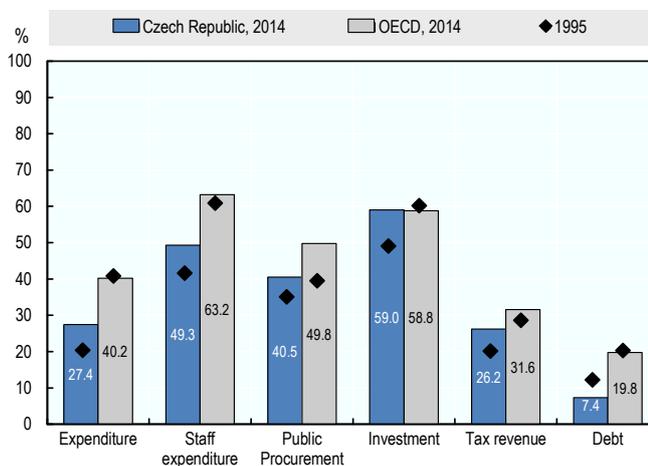
Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
6 258		14	6 272

Regional differences in GDP per capita levels, 2013

Legend:
- Higher than 30 000
- Between 25 000 and 30 000
- Between 22 000 and 25 000
- Between 20 000 and 22 000

N

This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.

Source of administrative boundaries: National Statistical Offices and FAO Global Administrative Unit Layers

0   500 Kilometers

Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

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Inter-regional disparities (as a % of the country average)
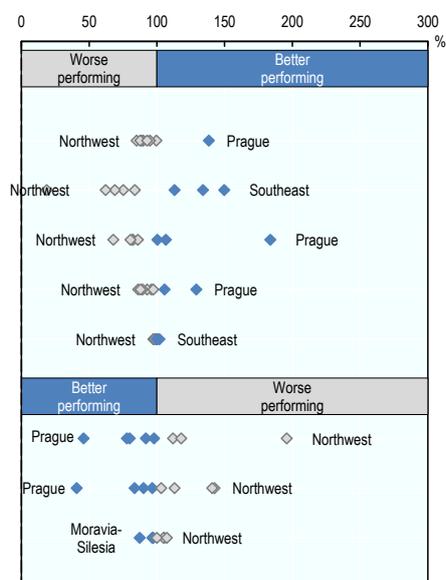
Variable	Min.	Max.	Country Avg.	OECD Avg.	Disparities up or down since 2001
GDP per worker (2013)	48 157	78 211	56 516	74 520	down
R&D expenditure as a % of GDP (2013)	0.36	2.86	1.91	2.4	down
Share of labour force with tertiary education	15.1	23.7	22.2	32.3	down
Disposable household income per capita (2013)	10 876	15 968	12 353	21 430	up
Life expectancy (2013)	76.3	79.8	78.3	80	up
Share of workforce with only primary education	2.3	9.8	5	25.2	up
Unemployment rate	2.5	8.7	6.1	7.3	down
Gender gap in participation rate	-14	-17.2	-16	-15.9	down

Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

Productivity and catching-up trends among regions

Average annual labour productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2000-2013

See country page notes for classification of regions
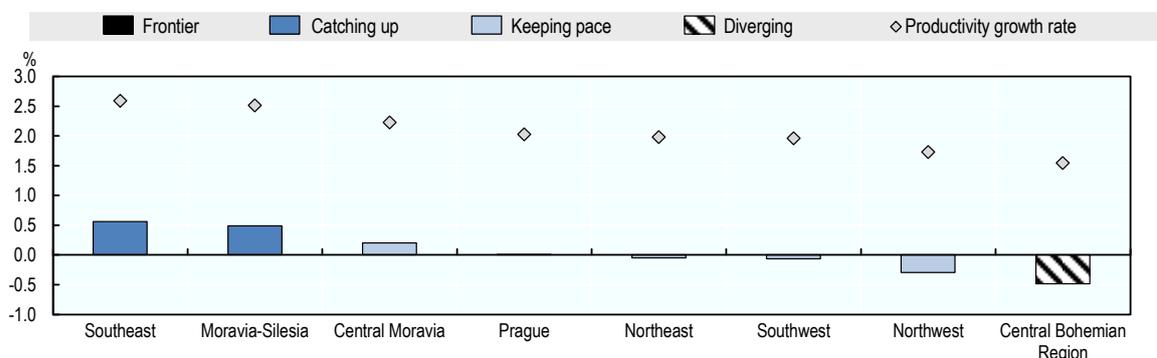
Contribution to labour productivity growth, 2000-13
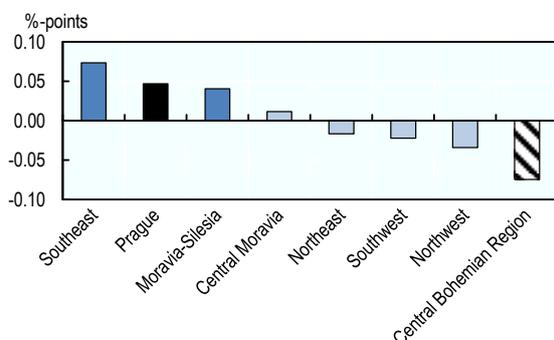
Percentage contribution to national GDP growth, 2000-13
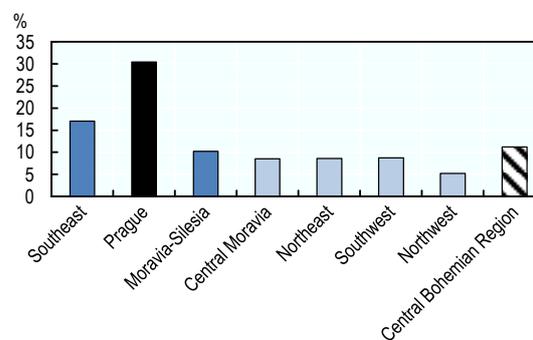
Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

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Country page notes

Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km² grid cell population weighted average of satellite-based estimates of small particulate matter (PM2.5).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016,* http://dx.doi.org/10.1787/reg_glance-2016-en.